

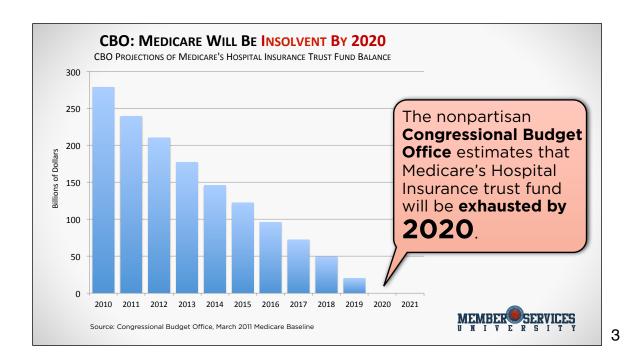
# WE CAN'T SPEND MONEY WE DON'T HAVE

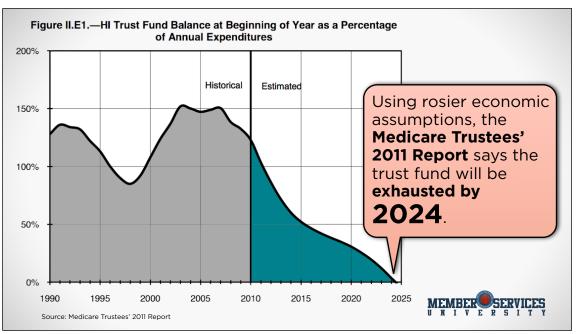
HOW TO EFFECTIVELY PROMOTE AND DEFEND THE HOUSE REPUBLICAN BUDGET MSU Budget Messaging Slides v11 Updated June 16, 2011 at 9:16am JS/AK/DR

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## **Playing Offense**







#### The Government Takeover of Health Care Changed Health Care in America

#### 1. GLOBAL FEE CAP

• For the first time in history, strict controls are imposed on both the amount and volume of Medicare payments, which will result in seniors having less access to doctors.

#### 2. IPAB

• A hard cap is imposed on Medicare spending, and a 15-member board of unelected bureaucrats is in charge of **rationing care** to meet the caps.

#### 3. \$500 BILLION RAID ON MEDICARE

• The health care takeover **raided \$500 billion** from Medicare to fund a new entitlement - instead of shoring up Medicare's own solvency.



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## The Government Takeover of Health Care Will Reduce Health Care Access

 The chief actuaries of Medicare have estimated that 15% of hospitals will become unprofitable within a decade—and up to 40% in the longer-term—due to the reductions in the health care takeover law.

IF THE NEW LAW IS IMPLEMENTED AS SCHEDULED:

"Medicare beneficiaries would almost certainly face increasingly severe problems with access to care."





#### **DEMOCRATS' PLAN REDUCES HEALTH CARE ACCESS**



#### **MEDICARE TRUSTEES**

When the Medicare Trust Fund goes bankrupt, "beneficiary access to health care services would rapidly be curtailed."

-- Medicare Trustees' 2011 Report



#### **CONGRESSIONAL BUDGET OFFICE**

The government takeover of health care could "reduce access to care or diminish the quality of care."

-- Congressional Budget Office, 12/19/09



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#### DEMOCRATS' PLAN REDUCES HEALTH CARE ACCESS



"The decision is not whether or not we will ration care— the decision is whether we will ration with our eyes open."

Donald Berwick Administrator of the Centers for Medicare & Medicaid Services (CMS) Appointed by President Obama

June 2009



#### THIRD-PARTY VALIDATION ON MEDICARE

"Current policy on Medicare is **not sustainable**.

"You can worry about how you structure a premium support program, but I think it's a good way to think about the future of Medicare."

Alice Rivlin, Democrat
Former OMB Director (Clinton Administration)
Quoted in the Wall Street Journal, April 4, 2011





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#### THIRD-PARTY VALIDATION ON MEDICARE

"The major driver of our long-term liabilities, everybody here knows, is Medicare and Medicaid and our health care spending.

"Nothing comes close."

President Barack Obama Speaking at House Republican Retreat in Baltimore, MD January 29, 2010





#### THIRD-PARTY VALIDATION ON MEDICARE



"Medicare as we know it is going to end by itself

if we don't make some changes."

Democrat Sen. John Breaux (LA) Former Chairman of the Senate Aging Committee Co-Chairman, National Bipartisan Commission on the Future of Medicare (1999)

May 1, 2011



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#### THIRD-PARTY VALIDATION ON MEDICARE

"We must act and act swiftly to close the gap left between [Medicare] revenues and expenditures."

Kathleen Sebelius Secretary of Health and Human Services May 13, 2011





#### THIRD-PARTY VALIDATION ON MEDICARE



WHAT HAPPENS WHEN MEDICARE'S TRUST FUND GOES INSOLVENT?

"Beneficiary access to health care services would rapidly be curtailed."

Medicare Trustees' 2011 Report

to cover total costs. Beneficiary access to health carapidly be curtailed.

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#### THIRD-PARTY VALIDATION ON MEDICARE



#### **CONGRESSIONAL BUDGET OFFICE:**

"The Hospital Insurance Trust Fund is projected to become **exhausted in 2020**."

Congressional Budget Office
March 2011 Medicare Baseline

e Trust Fund is projected to become exhausted in 2020. Ac

at shown in this table

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## port in our 2011 High-Risk St is fiscally unsustainable ove

"Medicare remains on a path that is **fiscally unsustainable** over the long term."

Government Accountability Office

Medicare: Program Remains at High Risk Because of Continuing Management Challenges, March 2011



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#### THIRD-PARTY VALIDATION ON SOCIAL SECURITY



#### WHAT HAPPENS IF NO ACTION IS TAKEN **ON SOCIAL SECURITY?**

"Beginning in 2023, trust fund assets will diminish until they become exhausted in 2036. Non-interest income is projected to be sufficient to support expenditures at a level of 77 percent of scheduled benefits after trust fund exhaustion in 2036."

-- 2011 Annual Report of the Social Security Trustees



#### THIRD-PARTY VALIDATION ON SOCIAL SECURITY



## SOCIAL SECURITY'S DISABILITY INSURANCE TRUST FUND WILL BE INSOLVENT BY 2018

"The assets of the Disability Insurance (DI) Trust Fund are projected to steadily decline ... until the trust fund is **exhausted in 2018**."

-- 2011 Annual Report of the Social Security Trustees



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#### THIRD-PARTY VALIDATION ON SOCIAL SECURITY



The Social Security
Trustees have said that
if nothing is done,
Social Security benefits
will be cut by 23%.



# Playing Defense: CHARGES & RESPONSES



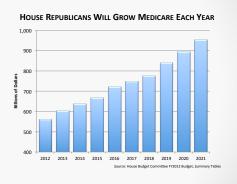


"You're cutting Medicare."

#### RESPONSE:

This budget will spend the same amount on Medicare in 2012 as CBO's current baseline and increase spending each year after that, but does so in a fiscally responsible manner that will lower the cost curve and ensure the long-term sustainability of the programs.

Only Washington politicians would call that a cut.





"If the cost of health care increases, the cost will be passed on to seniors under the Republican budget."

#### **RESPONSE:**

One of the biggest reasons health care costs have been rising so fast lately is that government programs such as Medicare and Medicaid are open-ended spending programs with no meaningful controls on program costs. This budget will introduce competition to bring down the overall cost of health care and preserve the system for future generations.

Under this budget, total spending on Medicare would increase every year and the amount of money spent for each individual retiree would increase every year as well. Compare this to the current system, which would force seniors to bear the cost of less access when Medicare's Hospital Insurance Trust Fund is exhausted by 2024 at the latest.

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PLAN A

PLAN B

PLAN C

PLAN D

Guaranteed

PLAN E

#### DEMOCRAT CHARGE:

"You're turning Medicare into a voucher program."

#### **RESPONSE:**

It does not turn Medicare into a voucher system and anyone 55 or older would keep the current Medicare system without any changes for the rest of their life.

For those 54 and under, the premium support model would allow retirees to choose an approved plan that best fits their needs, similar to federal employees. The funds would go directly from Medicare to the insurance plan provider and can only be applied to approved plans which offer a guaranteed level of coverage. If no action is taken, seniors will be forced to bear the cost of less access when the Hospital Insurance Trust Fund runs out of money by 2024 at the latest.

"You're turning Medicare into a voucher program."



"Premium support means the government would literally support or pay part of the premium for a defined core package of Medicare benefits. ...

"This is not a voucher program, but an alternative to the current system."

Sen. John Breaux (D-LA)
Former Chairman of the Senate Aging Committee
Co-Chairman, National Bipartisan Commission
on the Future of Medicare (1999)
March 4, 1999



#### DEMOCRAT CHARGE:

"The Path to Prosperity will not provide future retirees with the same plan that Members of Congress now have."

#### RESPONSE:

Just like Members of Congress and federal employees, future retirees ages 54 and younger would have the ability to: choose from a list of guaranteed coverage options; pick from private plans that meet a benefits standard set by the U.S. Office of Personnel Management; compare and select from different insurance options; and have the government directly subsidize their premiums. In addition, Medicare will provide increased assistance for lower-income beneficiaries and those with greater health risks.

The plan does not contain a guaranteed percentage of subsidy from the government, like federal employees have, but the premium support system will require each plan to meet uniform standards for coverage, just like plans for Members of Congress.



#### CHARGE:

"The Wall Street Journal says that the budget will change Medicare as we know it. I'm over 55, but I don't want Medicare to change for my children and grandchildren."

#### RESPONSE:

For Americans 55 and older, we are not proposing a single change to Medicare. Period.

For Americans age 54 and younger, we are changing Medicare as we know it from a program on the path to bankruptcy into a health security program that will actually be able to pay benefits to future generations of retirees.



"You're 'privatizing' Medicare."

#### RESPONSE:

This budget strengthens the government guarantee for both programs and makes no changes for Americans 55 and older. After 2012, spending for Medicare will increase every year under the Path to Prosperity. The Path to Prosperity protects these programs for current and near retirees and saves them so benefits will be available for future retirees when they need them.

Failing to act would undoubtedly mean the end of these programs as we know them. According to CBO, the Medicare Hospital Insurance Trust Fund will be exhausted by 2020. Using rosier economic assumptions, the Medicare Trustees project the trust fund will be exhausted by 2024.

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#### **DEMOCRAT CHARGE:**

"You're cutting taxes for the rich."

#### RESPONSE:

We have deficits because Washington spends too much, not because Americans are taxed too little. When Republicans provided tax relief in 2003, the amount of revenue collected by the government went <u>up</u> by more than \$700 billion over five years and the deficit went down. This budget extends the current tax rates, repeals ObamaCare taxes, and provides fundamental tax reform (top rates at 25 percent) to make us more competitive.

Those who contend that Washington should increase taxes on American families and job producers to pay for this spending binge must be willing to increase revenue by "by more than 50 percent" just to keep debt at its current level, according to the Government Accountability Office. Taxes would have to more than double on the next generation.

"You're cutting taxes for the rich."

#### RESPONSE (Cont.):

We have evidence that tax relief works. Each time our nation has reduced income tax rates significantly, economic growth has followed. When Ronald Reagan lowered tax rates in the 1980s, real economic growth averaged 3.2 percent per year, and federal revenue actually increased 20 percent. When John F. Kennedy reduced marginal rates in the 1960s, we experienced several years of 5 percent economic growth.

History has shown that tax relief spurs economic growth, allows hardworking individuals and families to keep more of what they earn and increases government revenue.



#### **DEMOCRAT CHARGE:**

"You're trying to balance the budget on the backs of the poor."

#### RESPONSE:

In the last ten years, spending on anti-poverty and income security programs has grown by 131 percent. Government-wide spending has been growing at a record pace and often its extra funding is consumed by waste, fraud, abuse and duplication.

• GAO: 80 programs for economic development, 20 programs for the homeless, and 47 programs for job training

We propose welfare reforms similar to those of the 1990s to Medicaid, food stamps and housing programs to provide a safety net for those who need it and encourage the able-bodied to get back to work. We propose Block Grants so states have greater flexibility to help recipients build self-sufficient futures for themselves and their families.

"This budget does not reach balance in 10 years."

#### RESPONSE:

The Path to Prosperity balances the budget and pays off the debt in the long run, according to the CBO. While our nation's deficit crisis was not created overnight, this budget reduces the deficit by over \$4 trillion relative to the President's budget over the next 10 years.

Balance could have been achieved within a 10-year window if the budget changed Social Security or Medicare for those 55 and older, but this budget keeps the promises we've made to Americans 55 and older, while saving these programs for future generations.

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#### **DEMOCRAT CHARGE:**

"Cuts in education and infrastructure 'investments' will harm economic growth and competitiveness."

#### RESPONSE:

When the Democrats say "investments," the American people hear "stimulus." Two years ago, the Obama administration claimed that its \$1.1 trillion "stimulus" bill would create over 3 million jobs. Since the "stimulus" became law, 2.5 million jobs have been lost and the nation has suffered from unemployment at or near 9 percent for 28 months.



"Congressman \_\_\_\_\_ is voting to cut jobs, school teachers, and important projects from his own district."

#### RESPONSE:

For the first time in America's history, the next generation could be less prosperous and have less opportunity than the generation that preceded it. Less opportunity and less freedom will not be the legacy that I leave the children in my district.

The nation's debt currently exceeds \$14.2 trillion. The national debt is equal to \$46,000 for every man, woman and child in my district and \$122,000 for every family in my district. 42 cents of every dollar is borrowed, much of it from China, the very nation with which Americans have to compete.



#### DEMOCRAT CHARGE:

"President Obama has acted decisively to freeze the discretionary spending."

#### RESPONSE:

The President's plan to freeze some discretionary spending comes after an unprecedented two-year spending binge. The president's freeze would slow the rate of government growth by less than one percent over the next decade. Meanwhile, under the president's FY 2012 budget we will amass \$7.2 trillion in deficits over the same period.



"The economy is improving, now is not the time to cut our investments when they are beginning to work."

#### RESPONSE:

Runaway spending, bailouts, takeovers, record debt and deficits, and the specter of massive tax increases under Democrat budgets have hindered economic growth. The Keynesian economic policies championed by Democrats have succeeded in creating record deficits and weakening America's fiscal standing, but have absolutely failed to create jobs.

These failed economic policies have helped reduce economic growth from 3.1 percent in the last quarter of 2010 to 1.8 percent in the first quarter of this year. Such slow rates of growth will not lift this economy into recovery and will not create enough jobs for the 13 million unemployed workers in this country.

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## **Additional Slides**



"To grow our economy and protect our children from national bankruptcy, we've got to quit spending money we don't have."



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#### **The Facts About Our Debt**

- 1. We have a debt crisis facing our nation.
- 2. The debt crisis threatens our job growth, our national security and sovereignty, and our nation's children.
- 3. We have a debt crisis because Washington spends too much, not because Washington taxes too little.
- 4. The spending is driven by retirement and health security programs.
- 5. The cost of doing nothing is unacceptable.
- 6. Principles to save and strengthen Medicare, Medicaid and Social Security.
- 7. What we can do today.



# We have a debt crisis facing our nation.



CRUSHING BURDEN OF DEBT

(DEBT AS A SHARE OF ECONOMY)

CURRENT PATH

200%

150%

WORLD

WAR II

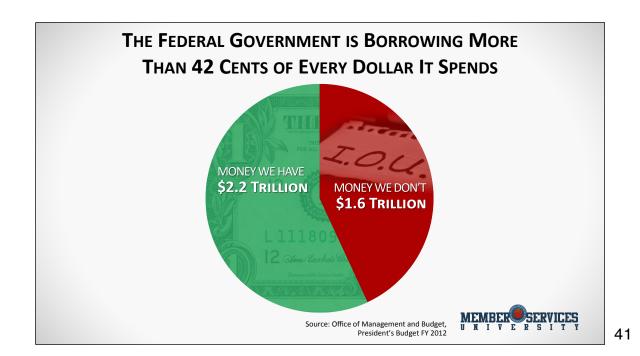
100%

1941 1951 1961 1971 1981 1991 2001 2011 2021 2031 2041 2051

Source: Congressional Budget Office, Office of Management and Budget

REMBER SERVICES

Office of Management and Budget





# "This debt is like a cancer... It is truly going to destroy the country from within."



# Erskine Bowles Co-Chairman of the White House Fiscal Responsibility Commission Former Clinton White House Chief of Staff July 11, 2010



"This [entitlement spending] could trigger an economic and political death spiral."

Robert Samuelson Economist & Columnist



"U.S. fiscal policy is unsustainable, and unsustainable to an extent that it can't be solved through minor changes."



Douglas Elmendorf Director of the Congressional Budget Office April 8, 2010



The debt crisis threatens our job growth.



"The seeds of the next recession have already been planted. The debt burden accumulated over the next ten years will sink us."



Dave Cote Chairman & CEO, Honeywell 122,000 employees



What's really weighing on their minds, Fishman said, is not knowing how the coming explosion in federal debt is going to affect their borrowing costs, liquidity, cost of doing business and prices.



Jay Fishman Chairman & CEO, Travelers Insurance 32,000 employees



"[I]f we continue this kind of a policy, we're dead in the water. Because they don't know what's coming ... he said, [quoting small business owner] this debt, this budget, this debt that we have, in the trillions he said, Bernie, I'm going to have to pay for this somehow."



Bernie Marcus Former Chairman & CEO Home Depot (255,185 employees) September 18, 2010



"[U]nless we as a nation make a strong commitment to fiscal responsibility, in the longer run, we will have neither financial stability nor healthy economic growth."



Ben Bernanke Chairman of the Federal Reserve June 9, 2010



If we do nothing...

# HISTORIC DEBT

will lead to

## HISTORIC TAX INCREASES

which will lead to

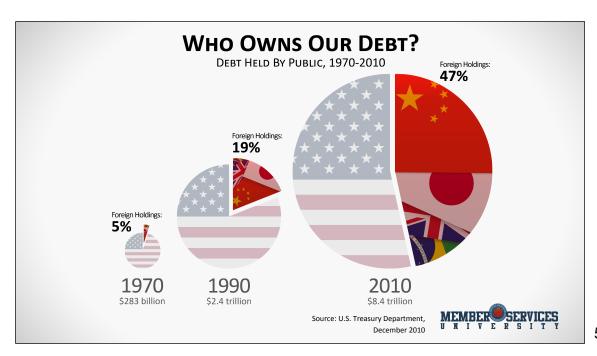
# HISTORIC UNEMPLOYMENT



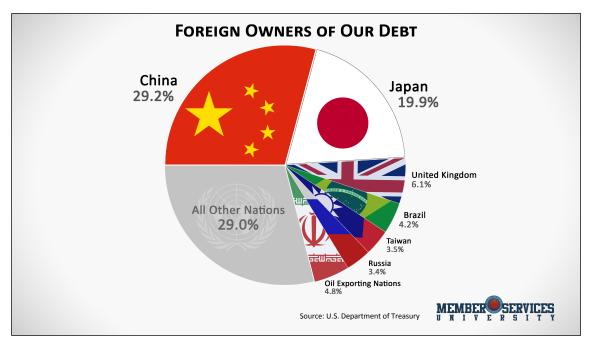
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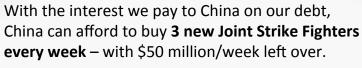
The debt crisis threatens our national security and sovereignty.













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## "I think the biggest threat we have to our national security is our debt."



Admiral Mike Mullen Chairman of the Joint Chiefs July 6, 2010



# The debt crisis threatens to bankrupt our nation's children.



"So much of their money will be devoted to keeping the government afloat that they'll have relatively little for everything else in life. Their homes will be smaller and drabber. ...

They'll still read about the consumer society and conspicuous consumption, but

mainly in history texts."

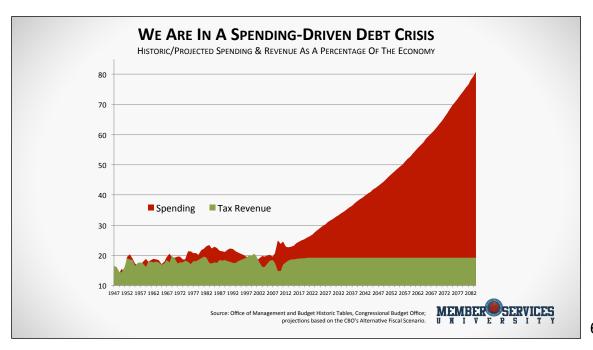
David Walker Former GAO Comptroller General February 1, 2010





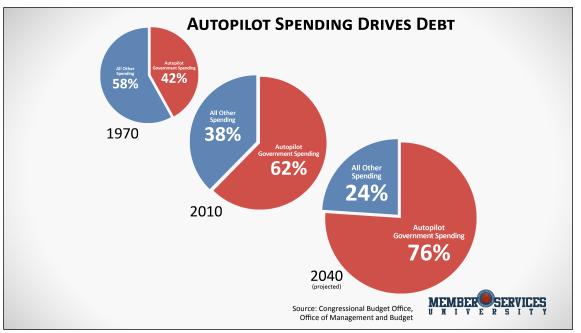
We have a debt crisis because Washington spends too much, not because Washington taxes too little.

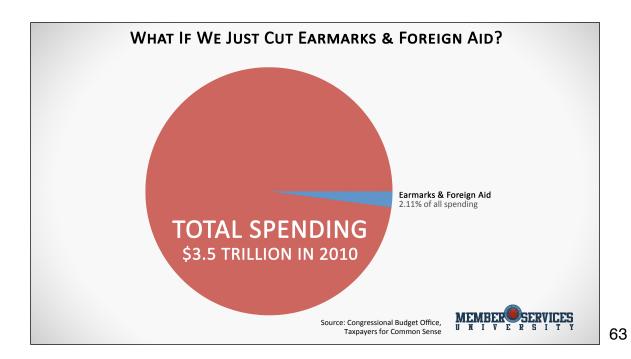


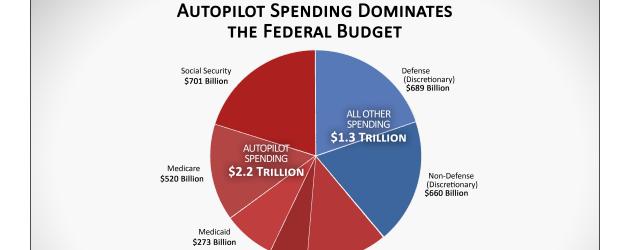


# Where is all this spending coming from?









Other Mandatory

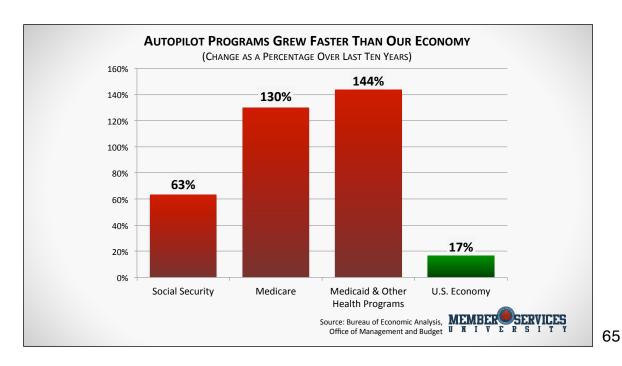
\$416 Billion

Source: Office of Management and Budget, Congressional Budget Office

Net Interest

\$197 Billion

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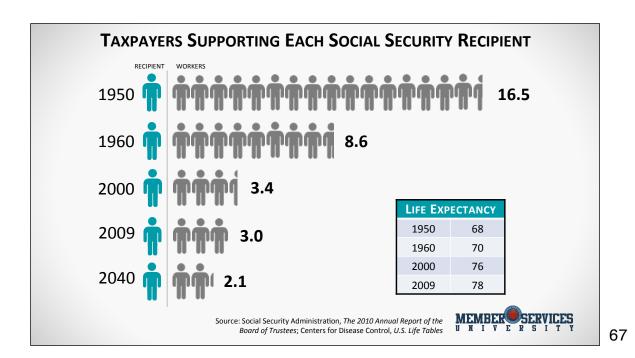


# Why Social Security, Medicare and Medicaid Are Growing So Fast

#### **SOCIAL SECURITY**

- Americans Are Living Longer
- More Seniors Are Receiving Benefits Than Ever Before
- Birth Rates Aren't Keeping Pace with Retirement





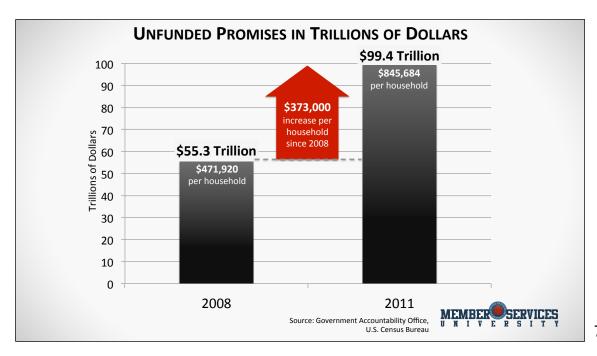
# Why Social Security, Medicare and Medicaid Are Growing So Fast

#### **MEDICARE & MEDICAID**

- The Cost of Health Care is Skyrocketing
- An Aging Population is Leading to Record Medicare Enrollment
- The Economic Downturn is Leading to Record Medicaid Enrollment



# The Cost of Doing Nothing



# Principles to Save and Strengthen Medicare, Medicaid and Social Security



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## **House Republican Principles**

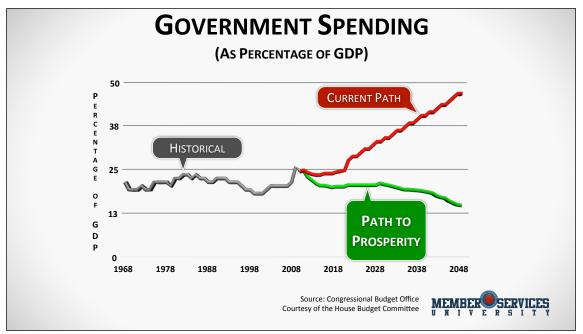
- Spur Job Growth and Prosperity
- No Changes for Seniors
- Fulfill the Mission of Health and Retirement Security for All Americans
- Lift the Crushing Burden of Debt

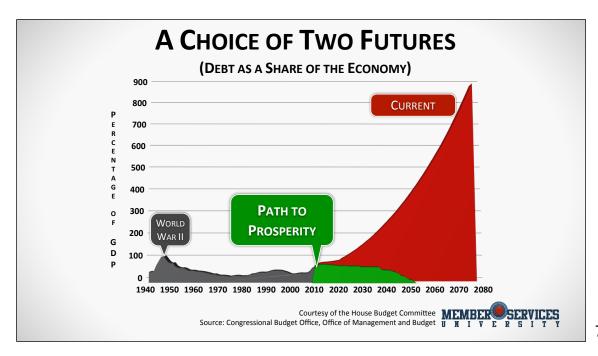


### **PATH TO PROSPERITY**

(CENTER FOR DATA ANALYSIS AT THE HERITAGE FOUNDATION)

- Faster economic growth: \$1.5 trillion in additional real gross domestic product over the decade.
- More jobs: Nearly 1 million new private sector jobs next year and 2.5 million new private sector jobs in the last year of the decade.
- Higher wages: \$1.1 trillion in higher wages, salary and income.
- More prosperity: avg \$1000 per year in higher income for each family





Republicans are taking decisive action to reduce Washington spending and help create jobs.



#### The Path to Prosperity Creates Jobs

- According to a recent study by the Heritage Center for Data Analysis, the Path to Prosperity creates nearly 1 million new private-sector jobs next year, brings the unemployment rate down to 4 percent by 2015, and results in 2.5 million additional private-sector jobs in the last year of the decade.
- It unleashes prosperity and economic security, resulting in \$1.1 trillion in higher wages and an average of \$1,000 per year in higher income for each family.



## The Path to Prosperity Cuts Spending

- Cuts \$6.2 trillion in government spending over the next decade compared to the President's budget, and \$5.8 trillion relative to the current policy baseline.
- Eliminates hundreds of duplicative programs, reflects the ban on earmarks, and curbs corporate welfare, bringing non-security discretionary spending to below 2008 levels.
- Brings government spending to below 20 percent of the economy, a sharp contrast to the President's budget, which never falls below 23 percent of GDP over the next decade.



# The Path to Prosperity Reduces Debt and Deficits

- Reduces deficits by \$4.4 trillion compared to the President's budget over the next decade.
- Surpasses the President's low benchmark of sustainability which his own budget fails to meet – by reaching primary balance in 2015.
- Puts the budget on a path to balance and pays off the debt.



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#### The Path to Prosperity Keeps Taxes Low

- Keeps taxes low so the economy can grow. Eliminates the roughly \$800 billion tax increase imposed by the President's health care law. Prevents the \$1.5 trillion tax increase called for in the President's budget.
- Calls for a simpler, less burdensome tax code for households and small businesses. Lowers tax rates for individuals, families and businesses. Sets top rates for individuals and businesses at 25 percent. Improves incentives for growth, saving, and investment.









## **Humanize the Debate**



#### **Humanize the Debate**



"I have never felt so embarrassed and ashamed about anything I have done in my life as I do about leaving this mess in the laps of Tyler and Kaytlin, my precious grandkids. I have written both of them a heartfelt apology for them to read when they get old enough to understand what I allowed our country's governing authority to do to them."

Rich Winnsboro, Texas



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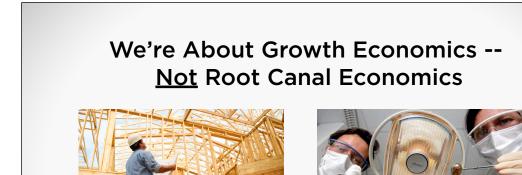
#### **Humanize the Debate**



"I could not hire more employees or expand my business, and I would definitely have to close up shop. As a small business owner, I am very afraid of my future."

> Dianne Kaufman, Texas







# Play Offense, NOT Defense!

